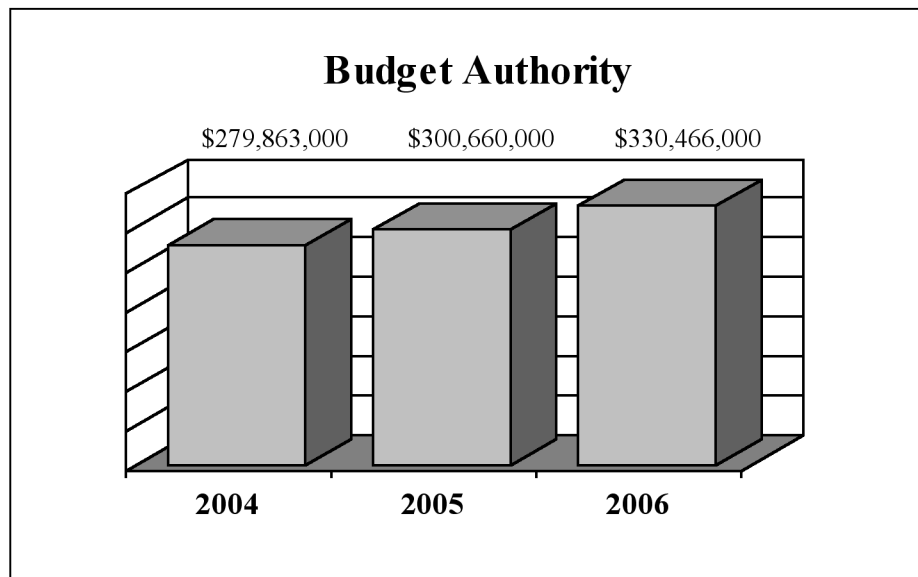


Departmental Administration

General Administration

This appropriation, along with reimbursements from: (1) the credit reform appropriations and (2) other miscellaneous accounts fund the Department of Veterans Affairs General Administration activity.

General Administration includes the Secretary's office and all Department level staff offices except the National Cemetery Administration, the Office of Acquisition and Materiel Management, and the Office of the Inspector General. The General Administration function provides management assistance and support to all Department programs.



Budget authority of \$330,466,000 and 2,782 FTE are requested to support the General Administration activity in 2006. Of this amount, no more than \$5,577,000 is available for construction activities. Realigning the construction funding within this account is consistent with the agency's budget account restructuring effort. The budget request is \$29.8 million above the enacted 2005 level. In total, the General Administration budget authority, combined with \$352.4 million in

estimated reimbursements will provide for total gross obligations of \$682.9 million in 2006. Highlights of the 2006 request are briefly summarized below.

The Board of Contract Appeals (BCA) is requesting \$1.8 million in budget authority and 12 FTE for 2006. This funding level will ensure that BCA can continue to improve the timeliness of appeal decisions, increase the percentage of cases using Alternative Dispute Resolution (ADR), and promote the use of ADR throughout the Department for non-contractual matters, such as workplace disputes.

The Board of Veterans' Appeals is requesting \$53.1 million and 434 FTE in 2006. This is an increase of \$1.8 million above the 2005 enacted appropriation. Because the number of appeals filed are projected to be higher than dispositions, it is estimated that the Board's disposition time will increase from 170 days at the end of 2004 to 391 days by the end of 2006 and will reach 600 days by the end of 2008. BVA's budget includes funds for contracting out hearing transcriptions in order to help address this backlog.

The Office of General Counsel (OGC) is requesting \$61.8 million in budget authority and 650 FTE to support its operations in 2006. An additional \$10.5 million in estimated reimbursements supports 115 of the 650 FTE, for a total obligation level of \$72.3 million. The budget authority request is \$3.2 million higher than the 2005 appropriation and includes \$2.7 million to fund the 2006 pay raise and increased non-payroll requirements. Due to a budget that is largely payroll, over the years General Counsel has been required to shift significant amounts of non-payroll funds to payroll to cover higher than budgeted payraises of the past several years. As a result, the budget includes funding to update various legal libraries, cover increased travel requirements, training and supplies, and replace unserviceable and outdated furniture, office and IT equipment.

The Office of Management (OM) is requesting \$48.5 million and 299 FTE to support its operations in 2006. The budget authority, together with \$5.2 million in reimbursable authority, will provide for an estimated total obligation of \$53.7 million in 2006. Please note that the management development of the CoreFLS project now resides in the Office of Information and Technology (OI&T). Therefore, the status of the project and associated resources requested are contained within the OI&T budget.

Included in this budget request, the Office of Management currently estimates that a total of \$8 million will be required to begin to implement the E-payroll initiative as mandated. This funding is required to complete the conversion of phase 7 of payroll processing. In addition, funds are required to continue maintaining VA's current accounting system - FMS - longer than originally anticipated due to the on-going technical assessment of the CoreFLS pilot, an integrated system combining logistical billing and other management functions. Results of the

assessment will determine how the Department proceeds with an integrated financial management system. As a result, funds are necessary for FMS contracts in order to: sustain basic accounting and its interfacing systems; keep software current and under warranty; provide technical support to VA users; and to accomplish mandatory adjustments when required by statute.

The budget also includes funding for the Office of Asset Enterprise Management (OAEM), to continue to provide oversight in the capital asset arena to ensure a consistent and cohesive Department approach to capital asset management. OAEM is responsible to provide oversight activities relating to implementation of CARES capital recommendations, developing and executing public/private ventures, enhanced use lease proposals, energy co-generational projects, and the implementation of VA's Capital Asset Management System (CAMS) which will enable VA to better manage its diverse portfolio of capital assets throughout VA.

The Office of Information and Technology (OI&T) is requesting \$45.6 million in total budget authority and 532 FTE to support its operations in 2006. The OI&T budget authority, combined with \$302.5 million in reimbursements will provide OI&T with \$348.1 million in total obligational authority.

The OI&T 2006 total obligational authority includes approximately \$8 million in reimbursable funding for contractual services which will be directed to personal services in order to cover a 76 FTE increase in 2006. This action is required to tighten the VA's control and oversight of its extensive range of IT and cyber security contracts and hundreds of contract employees. By increasing VA staff in relation to contractor staff, OI&T will ensure that it has the steady, professional, in-house workforce necessary to meet the critical IT challenges VA will continue to face. OI&T is not requesting additional appropriations for this, but rather would fund it from reimbursements provided by the respective VA administrations to ensure cyber security and all department-wide initiatives are effectively managed by VA.

The Office of Human Resources and Administration (HR&A) is requesting \$94.3 million in total obligational authority and 529 FTE in 2006. Of this total, \$63 million and 282 FTE are directly appropriated and \$31.3 million and 247 FTE are in reimbursement authority. Within these resources, \$29.8 million is for ORM operations. The budget request includes \$4.2 million in current services adjustments for pay and non-pay increases, including \$2.8 million in increased GSA rent payments resulting from the recently published GSA rates schedule for 2006. HR&A's portion of GSA rent payment covers all GOE staff offices at the VACO campus.

HR&A is requesting \$5 million in support of GSA's Prospectus Level project for the Lafayette Building (811 Vermont Ave). This level of funding will support

approximately one-half of the estimated GOE costs required before construction begins. This includes relocating over 800 employees and necessary equipment. Additional GOE funding will be required in future years to complete the pre-construction work and for the activation of the completed project scheduled for 2011.

The Office of Policy, Planning, and Preparedness (OPPP) is requesting \$27.5 million and 119 FTE in 2006. This increase of \$698 thousand reflects pay raises and inflation over the 2005 enacted appropriation. With these resources, OPPP will be able to support a range of critical policy and management analysis functions including surveying, forecasting, and analyzing the veteran population, modeling and simulating program and resource requirements, conducting cost effectiveness and life cycle cost analyses, and creating statistical data bases. OPPP will begin evaluations of three major programs, enhance business process reengineering and workforce planning, and develop a new VA strategic plan. OPPP will continue to enhance the capacity of VA to respond to any threat or natural disaster and conduct exercises to demonstrate preparedness.

The Office of Public and Intergovernmental Affairs (PIA) is requesting \$11.6 million and 88 FTE in 2006, an \$801 thousand increase above the 2005 enacted level. Approximately \$281 thousand of this increase is attributed to higher costs afforded through pay raises and non-pay inflation adjustments, offset by a decrease of 2 FTE. The remainder of this increase, \$520 thousand, is requested to implement VA's Center for Faith Based and Community Initiatives. This action is consistent with Executive Order 13342 signed by the President on June 1, 2004 creating new centers at three federal agencies, including VA. In order to ensure the center is fully operational in 2005, VA plans to reallocate available carryover within the General Administration account to fund this activity until appropriations can be requested in 2006.

The Office of Congressional and Legislative Affairs (OCLA) is requesting \$4.5 million and 40 FTE in 2006. This is an increase of \$214 thousand above the 2005 enacted level to fund current services pay and inflation increases, as well as, OCLA's Metropolitan Area Network (MAN) initiative, which will provide IT connectivity between its House and Senate Capitol Hill offices and VA's Central Office. In 2004, OCLA funded the initial connection of MAN. This budget requests funding for the annual fee for MAN, which is not in OCLA's current budget.

Activity Highlights (dollars in thousands)					
	2004 Actual	2005		2006 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Office of the Secretary:					
Budget Authority	\$7,258	\$7,243	\$7,181	\$7,449	\$268
Reimbursements	\$2,302	\$2,785	\$2,785	\$2,889	\$104
Net carryover	\$463	\$0	\$562	\$0	-\$562
Obligations	\$10,023	\$10,028	\$10,528	\$10,338	-\$190
Average Employment	76	78	79	79	0
Board of Contract Appeals:					
Budget Authority	\$1,593	\$1,632	\$1,618	\$1,810	\$192
Net carryover	-\$62	\$0	\$0	\$0	\$0
Obligations	\$1,531	\$1,632	\$1,618	\$1,810	\$192
Average Employment	9	12	12	12	0
Board of Veterans' Appeals:					
Budget Authority	\$48,505	\$51,676	\$51,235	\$53,067	\$1,832
Net carryover	\$1,470	\$0	\$0	\$0	\$0
Obligations	\$49,975	\$51,676	\$51,235	\$53,067	\$1,832
Average Employment	440	443	440	434	-6
Office of the General Counsel:					
Budget Authority	\$55,723	\$59,090	\$58,586	\$61,823	\$3,237
Reimbursements	\$9,833	\$10,079	\$10,219	\$10,512	\$293
Net carryover	-\$180	\$0	\$504	\$0	-\$504
Obligations	\$65,376	\$69,169	\$69,309	\$72,335	\$3,026
Average Employment	644	647	653	650	-3
Assistant Secretary for Management:					
Budget Authority	\$37,028	\$38,024	\$37,700	\$48,481	\$10,781
Reimbursements	\$59,947	\$75,584	\$5,079	\$5,202	\$123
Net carryover	-\$46	\$0	\$9,360	\$0	-\$9,360
Obligations	\$96,929	\$113,608	\$52,139	\$53,683	\$1,544
Average Employment	251	329	286	299	13
Assistant Secretary for Information and Technology:					
Budget Authority	\$30,760	\$43,529	\$43,158	\$45,580	\$2,422
Reimbursements	\$154,725	\$204,706	\$256,268	\$302,515	\$46,247
Net carryover	\$1,014	\$0	\$0	\$0	\$0
Obligations	\$186,499	\$248,235	\$299,426	\$348,095	\$48,669
Average Employment	287	328	456	532	76
Assistant Secretary for Human Resources and Administration:					
Budget Authority	\$52,513	\$54,027	\$53,724	\$62,987	\$9,263
Reimbursements	\$28,461	\$29,277	\$30,915	\$31,344	\$429
Net carryover	\$314	\$0	\$333	\$0	-\$333
Obligations	\$81,288	\$83,304	\$84,972	\$94,331	\$9,359
Average Employment	511	540	529	529	0

Activity Highlights (dollars in thousands)					
	2004 Actual	2005		2006 Request	Increase (+) Decrease (-)
		Budget Estimate	Current Estimate		
Assistant Secretary for Policy, Planning, and Preparedness:					
Budget Authority	\$26,236	\$27,079	\$26,848	\$27,546	\$698
Reimbursements	\$0	\$0	\$490	\$0	-\$490
Net carryover	-\$1,227	\$0	\$3,315	\$0	-\$3,315
Obligations	\$25,009	\$27,079	\$30,653	\$27,546	-\$3,107
Average Employment	104	119	111	119	8
Assistant Secretary for Public and Intergovernmental Affairs:					
Budget Authority	\$10,639	\$10,919	\$10,826	\$11,627	\$801
Net carryover	-\$373	\$0	\$770	\$0	-\$770
Obligations	\$10,266	\$10,919	\$11,596	\$11,627	\$31
Average Employment	74	87	90	88	-2
Assistant Secretary for Congressional and Legislative Affairs:					
Budget Authority	\$4,235	\$4,341	\$4,304	\$4,518	\$214
Net carryover	-\$16	\$0	\$0	\$0	\$0
Obligations	\$4,219	\$4,341	\$4,304	\$4,518	\$214
Average Employment	35	40	40	40	0
Construction:					
Budget Authority	\$5,373	\$5,524	\$5,480	\$5,577	\$97
Net carryover	-\$417	\$2,304	\$3,139	\$0	-\$3,139
Obligations	\$4,956	\$7,828	\$8,619	\$5,577	-\$3,042
Average Employment	0	0	0	0	0
Totals:					
Budget Authority	\$279,863	\$303,084	\$300,660	\$330,466	\$29,806
Reimbursements	\$255,268	\$322,431	\$305,756	\$352,462	\$46,706
Net carryover	\$940	\$2,304	\$17,983	\$0	-\$17,983
Obligations	\$536,071	\$627,819	\$624,399	\$682,928	\$58,529
Average Employment	2,431	2,623	2,696	2,782	86

Office of the Inspector General

This appropriation provides funding for the operation of the Office of the Inspector General (OIG). The OIG, established by the Inspector General Act of 1978, is responsible for the audit, investigation, and inspection of all Department of Veterans Affairs (VA) programs and operations.

The Office of the Inspector General, in accordance with the Act: (a) conducts audits, investigations and inspections of VA programs and operations and other activities carried out and/or financed by VA; (b) makes recommendations for the purpose of (1) promoting economy, efficiency, and effectiveness and (2) preventing and detecting fraud, waste, and abuse in VA programs and operations; (c) keeps the Secretary of Veterans Affairs and Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity of corrective actions; and (d) provides leadership and coordination on complex audit, investigative and inspection matters.

<i>Appropriation Highlights¹</i> <i>(dollars in thousands)</i>				
	2004 Actual	2005 Estimate	2006 Estimate	Increase (+) Decrease (-)
Funding:				
Appropriation	\$62,700	\$70,432	\$70,906	+\$474
Rescission	-\$370	-\$564	0	+\$564
BA Expiring	-\$42	0	0	0
Reimbursements	\$2,697	\$3,158	\$3,264	+\$106
Net Change in Carryover	\$1,920	\$2,405	0	-\$2,405
Obligations	\$66,905	\$75,431	\$74,170	-\$1,261
Outlays	\$59,424	\$66,995	\$68,913	+\$1,918
Average employment	434	468	468	0

The OIG carries out operations through four Assistant Inspectors General (AIG): the AIG for Auditing; the AIG for Investigations; the AIG for Healthcare Inspections; and the AIG for Management and Administration. The Office of Counsel provides legal assistance for the OIG to the Inspector General. The OIG organization consists of a headquarters in Washington, D.C. and field offices located throughout the country.

Budget authority of \$70.9 million and 468 FTE are requested to support the activities of the Office of the Inspector General in 2006. Of this amount, no more

¹ Under the Account Restructuring Proposal, the table above reflects the incorporation of minor construction funding.

than \$732 thousand is available for construction activities. The budget authority together with \$3.3 million in estimated reimbursements will provide for total gross obligations of \$74.2 million in 2006. This budget authority will assist the OIG in overseeing the quality of health care services rendered our veterans, identifying internal control vulnerabilities in benefit payment processes and detecting fraud through extensive review and analysis of VA databases and matching initiatives.

Acquisition and Materiel Management: Supply Fund

The Supply Fund is responsible for the operation and maintenance of a supply system for VA. Functioning as an intragovernmental revolving fund without fiscal year limitations, it seeks to ensure the most timely, cost-effective acquisition and distribution of goods and services for VA programs. Its primary customer is the Veterans Health Administration (VHA). The Supply Fund plays an active role in supporting VHA's mission to ensure quality medical care is provided on a timely basis to eligible veterans.

The Supply Fund finances the following: (1) a National Acquisition Center or central contracting office; (2) the maintenance of field station inventories; (3) a service and distribution center; (4) a service and reclamation program; (5) a national prosthetics distribution center; and (6) an asset management service.

<i>Income, Expense, and Retained Earnings</i> <i>(dollars in thousands)</i>				
		2005		
	2004 Actual	Budget Estimate	Current Estimate	2006 Estimate
Income	\$79,717	\$69,300	\$86,000	\$82,000
Expense	81,288	69,300	86,000	82,000
Net Income	-1,571	0	0	0
Analysis of retained earnings:				
Retained Earnings, SOY	96,533	94,962	94,962	94,962
Retained Earnings, EOY	\$94,962	\$94,962	\$94,962	\$94,962

The Franchise Fund: Enterprise Centers

The Franchise Fund completed its seventh year of operations on September 30, 2004. The six lines of business (Enterprise Centers) are proving to be very successful. Sales have dramatically increased since our initial year of operations in 1997, i.e., from \$59 million to projected \$370 million in 2006. Annual audits performed by an independent CPA firm, with VA Inspector General oversight, and the Financial and Systems Quality Assurance Service have confirmed full compliance with government-wide and VA cost accounting policies.

The VA Enterprise Centers provide common administrative services to VA and other Government agencies under the authority of the Government Management Reform Act of 1994. In 2006, we request total obligations of \$369 million and an average employment of 1,013 to support the operations of the VA Enterprise Centers. Obligations have increased by \$37 million due to the greater demand for quality and cost-effective services. The request is based on the VA Enterprise Centers evolving into competitive organizations that provide value-added common administrative services to VA and a wide range of other federal government agencies. This evolution is driving some of the increases over the 2006 estimate.

This budget requests extending the Franchise Fund pilot authorized by section 403 of P.L. 103-356 and title 1 of P.L. 104-204 until October 1, 2006.

VA Enterprise Centers
Summary of Employment and Obligations
(In thousands)

	2004	2005		2006	Increase (+) Decrease (-)
	Actual	Budget Estimate	Current Estimate	Request	
<u>Average Employment:</u>					
Central Office	12	10	12	12	+0
Field	694	752	820	1,001	+181
Total	706	762	832	1,013	+181
<u>Obligations:</u>					
Personal Services	\$54,861	\$56,062	\$60,671	\$70,701	+\$10,030
Travel	1,664	2,646	3,107	3,295	+188
Transportation of Things	145	22	337	338	+1
Rents, Communications & Utilities	36,037	41,923	40,714	41,788	+1,074
Printing & Reproduction	2,633	8,096	5,595	5,599	+4
Other Services	118,786	110,315	206,106	233,385	+27,279
Supplies & Materials	1,774	1,802	1,804	1,875	+71
Equipment	16,352	14,211	13,694	12,192	-1,502
Land and Structures	(214)	5	10	10	+0
Insurance Claims & Indemnities	0	25	0	0	+0
Total	\$232,038	\$235,107	\$332,038	\$369,183	+\$37,145

Note: The total amount of obligations shown above includes intrafund transactions.

Pershing Hall Revolving Fund

The Pershing Hall Revolving Fund (PHRF) provides for the obligation and receipt of funds associated with the operation and redevelopment of Pershing Hall, an asset of the United States, located in Paris, France. The United States acquired the property in 1935 from the American Legion under the provisions of Public Law 74-171.

In 1991, VA obtained jurisdiction and control over Pershing Hall through the enactment of Public Law 102-86, which provided for the building's redevelopment and the establishment of a memorial to General Pershing through a long-term lease. On October 20, 1998, the Department leased Pershing Hall for a period of 99 years to the French firm of L.A. Partners. The lease provides for the building's redevelopment as a hotel and the establishment therein of a memorial. In addition to the memorial, the lease also provides for the payment of consideration to VA.

Public Law 102-86 provides for the distribution of proceeds into the Construction Reserve Account of up to \$1 million, following reimbursement of expenses. Upon payment of the \$1 million, such proceeds will be available for projects and activities, determined by the Secretary in keeping with the mission of the Department. The Department can utilize up to \$100,000 annually, the maximum permitted by the law, for these purposes. Such expenditures would be subject to reporting requirements to our oversight committees.

From 2004 - 2014, a payment of 800,000 French Francs (FF) or the equivalent in Euros will be made to the fund, using an exchange rate of 6.50 FF per US dollar, yielding an expected \$125,000 in annual receipts. From 2015 - 2097 annual payments have been negotiated at 1.2 million FF (\$180,180). These payments, however, are subject to escalation as described in the lease.

<i>Funding Highlights</i> (dollars in thousands)					
	2004 Actual	2005		2006 Estimate	Increase(+) Decrease(-)
		Budget Estimate	Current Estimate		
Budget authority (transfer Construction, Major)	\$0	\$0	\$0	\$0	\$0
Obligations	\$67	\$0	\$100	\$100	\$0
Outlays (net)	-\$109	\$0	-\$45	-\$45	\$0
Receipts	\$278	\$125	\$145	\$145	\$0